

TENNESSEE HOUSING DEVELOPMENT AGENCY  
BOARD OF DIRECTORS  
May 18, 2006

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors met on Thursday, May 18, 2006, at 1:00 P.M. in the 12<sup>th</sup> Floor Training Room, Parkway Towers, Nashville, Tennessee.

The following members were present: Robyn Askew, Tim Bolding, Gerald Reed for Riley Darnell, Winston Henning, Loretta Jercinovich, Gerald Konohia, Eddie Latimer, Ann Butterworth for John Morgan, Alvin Nance, Ralph Perrey, Brad Rainey, Janice Cunningham for Dale Sims, and Carl Tindell.

The following members were absent: Bob Cooper, Dave Goetz, Janice McNeely, Tim Pettus, Sharon Reynolds, and Jackie West.

Chairman Latimer called the meeting to order and opened the floor for public comment. There were no public comments.

The first item on the agenda was approval of the March 16, 2006, meeting minutes. Upon motion by Mr. Nance, seconded by Mr. Bolding, the minutes were approved as distributed.

Ted Fellman, Executive Director, referenced an invitation for lender appreciation events and encouraged all Board members to attend. Mr. Fellman also informed members of the National Council of State Housing Board (NCSHB) Summer Workshop that will be held August 13<sup>th</sup>-15<sup>th</sup>, in Bolton Landing, New York. Mr. Fellman asked for those interested to let Crystal Canaday know.

Lynn Miller, Deputy Executive Director & General Counsel, informed Board members of an alleged organization named Amelia International. Ms. Miller stated that the website for this organization looks similar to a Habitat website and claims that the organization was founded by Millard Fuller who was the founder of Habitat. There is also reference to a program titled "The House the General Assembly Built", including pictures from the groundbreaking of a home in Tennessee and a program it describes as being a joint effort and being supported by THDA, Federal Home Loan Bank of Cincinnati, and others. Ms. Miller said she has had conversations with the General Counsel of Habitat International and they suspect this could be an identity theft ring or a money laundering scam. The organization focuses on job seekers and donors. Ms. Miller said THDA is going to post an alert on THDA's website as well as have staff inform lenders and partners of this fraudulent organization. Ms. Miller asked members to join THDA in passing this along.

Chairman Latimer asked Mr. Fellman to recognize staff. Mr. Fellman began by introducing two new employees; Laura Sinclair, Director of Single Family Division, and Trent Ridley, Chief Financial Officer. Mr. Fellman then presented the following staff members with service awards for 5 years of service: Gina Burroughs, Contract Quality Control Monitor in Section 8 Contract Administration; Joan Daniels, Database Specialist in Section 8 Contract Administration; Ginny Boles, Mortgage Servicing Specialist in Single Family Division; and Susan Foulks, Housing Program Specialist Supervisor in Community Programs.

Chairman Latimer said the Monthly Board Report was the next item on the agenda. Mr. Fellman referenced the Board Report in the mail out. He encouraged everyone to read the report as well as the Outreach Events sheet. There were no comments or questions from the Board members.

Next on the agenda was the election of Vice-Chair for the THDA Board of Directors. Chairman Latimer nominated Mr. Nance. Upon motion by Chairman Latimer, seconded by Mr. Perrey, the motion unanimously passed to elect Mr. Nance as Vice-Chair.

Next on the agenda was the report of the Bond Finance Committee. Ms. Butterworth began by referencing the memorandum from Ms. Miller, dated May 8, 2006, on the Schedule of Financing. Ms. Butterworth stated the Schedule of Financing shows the financings proposed for the upcoming fiscal year. Once approved by the Board and the Bond Finance Committee, the Schedule will be forwarded to the State Funding Board for their consideration. Ms. Butterworth reported that the Bond Finance Committee recommended approval. Upon motion by Ms. Butterworth, seconded by Mr. Reed, the motion passed and the Schedule of Financing was approved.

Next item was the consideration of Issue 2006-2. Ms. Butterworth referenced a memo from Bob Detjen, Financial Advisor for THDA, dated May 5, 2006, which recommends the bond issue. Ms. Butterworth said that the Schedule of Financing shows Issue 2006-2 anticipated for the next fiscal year in the amount of \$75 million, however, staff recommends authorizing the bond issue in the current fiscal year in the amount of \$100 million. Ms. Butterworth reported that the Bond Finance Committee considered and recommended approval of the transaction and approved the Plan of Financing for Issue 2006-2. Upon motion by Ms. Butterworth, seconded by Mr. Bolding, the motion passed to approve the Board resolution contained in the Board packet to authorize Issue 2006-2.

Next item was selection of Bond Counsel for THDA. Ms. Butterworth stated the Bond Finance Committee is authorized to make this selection and began a process sometime ago that includes fairly broad distribution of an RFP. Following extensive review, interviews and discussions by THDA and Bond Finance Committee, staff recommended Kutak Rock to continue to serve THDA as Bond Counsel. Ms. Butterworth said the selection process was fair, open, and the RFP had been submitted to 40 firms, including minority firms. Ms. Butterworth said the Bond Finance Committee approved Kutak Rock as the Bond Counsel and no action is required from the Board.

Ms. Butterworth asked Ms. Miller to report on the Trustee Transition. Ms. Miller stated everything was going well with the transition and an early September transition date is still expected.

Next on the agenda was the report of the Audit & Budget Committee. Chairman Latimer reported on the revised charter considered and recommended by the Audit & Budget Committee. He encouraged all members to read it. The recommendation of the Audit & Budget Committee is to resend the prior charter approved in March and approve the charter dated May 18, 2006. Upon motion by Mr. Latimer, seconded by Mr. Bolding, the motion passed and the charter, as revised, was approved.

Next, Mr. Latimer reported on the state audit process. Mr. Latimer said the entrance meeting is scheduled for the week of June 12<sup>th</sup>. He encouraged all Board members, management, and staff to fully cooperate with auditors and assist in resolutions of any problems that may be identified.

Mr. Latimer reported on THDA's Errors & Omissions insurance policy which is a \$10 million policy that protects THDA from any errors and omissions made by THDA staff. Next, Mr. Latimer reported on the Financial Integrity Act ("FIA") activities for the current year.

Next on the agenda was the report of the Grants Committee. Ms. Askew reported on the 2006 HOME applications. Ms. Askew said the State's allocation for the 2006 HOME program is over \$16 million. Of this amount, 10% is set-aside for the administrative costs of the State and its grantees; leaving a balance of \$14,437,715 available for the 2006 HOME program. The HOME Program includes a 15%

CHDO set-aside required by the HOME regulations which is over \$2 million; over \$72,000 in CHDO funds available from previous years; a set-aside of 10% of 2006 HOME funds for Special Needs Projects; and a balance of over \$11 million. Ms. Askew said there were 81 applicants this year, a decrease from previous years, requesting a total of \$35 million. Staff believes this is due to communities working together and submitting regional applications. Ms. Askew called the Board's attention to a memo dated May 5, 2006 from Coralee Holloway, Director of Community Programs, which includes the matrix which identifies the recommended grant recipients for 2006 HOME funds. The committee recommends approval of staff's recommendation as contained in the matrix. Upon motion by Ms. Askew, seconded by Mr. Bolding, the motion passed.

The next item was approval of the 2006 ADDI program. Ms. Askew said HUD has determined that because third party inspectors, such as FHA appraisers are not contractually obligated to THDA or its Partner Agencies, a HQS inspection must be completed by ADDI Partner Agencies to certify that the homes meet HQS rather than rely on FHA appraisals. The Committee's recommendation is for Board to approve the ADDI Certification of Inspection form proposed by staff which is included in the Board packet; subject to review and approval by THDA General Counsel and with submission of the form to HUD. Upon motion by Ms. Askew, seconded by Mr. Reed, the motion passed.

Next item was HOME contract extension requests. Ms. Askew referenced a memo from Coralee Holloway, Director of Community Programs, dated May 3, 2006. Ms. Askew said a number of requests were received. Ms. Askew noted that Mr. Henning abstained in the Committee on all discussions pertaining to the Jackson Housing Authority request. The Committee's recommendation to the Board is approval of all extension requests. Upon motion by Ms. Askew, seconded by Mr. Bolding the motion passed. Mr. Latimer and Mr. Henning abstained.

Ms. Askew referenced the update on the BUILD program, included in the Board packet, which required no action by the Board.

Next was the ECD Three Star Program. Ms. Askew asked Barry Havens, Assistant Director of Community Programs, to give more details. Mr. Havens reported that the Department of Economic & Community Development ("ECD") has a program that is designed to help communities enhance business recruitment activities. Mr. Havens said changes are underway to include more housing related activities in the program. Mr. Fellman added that THDA has tried to create a partnership with ECD and this is a good mechanism toward that end.

Next was a USDA Rural Development requested amendment to the Memorandum of Understanding ("MOU"). Rural Development would like to increase the THDA forgivable loan amount for elderly and disabled to homeowners to 50% of total cost of repair, not to exceed \$7,500. Ms. Askew said the current amount is 30%. The Committee's recommendation is to approve this amendment. In addition, Rural Development requested \$750,000 at the beginning of this fiscal year and was awarded \$500,000. All funds were utilized and USDA is requesting an additional \$200,000 in THDA funding to help leverage the remaining \$400,000 in USDA Section 504 loan funds. The Committee recommended approval of both amendments. Upon motion by Ms. Askew, seconded by Ms. Jercinovich, both program amendments were approved.

Next item on agenda was the report from the Policy & Programs Committee. Mr. Rainey said the first item was the income limits for the New Start Program. The New Start Program is a two tiered program. The tier one income limit, for loans with a 0% interest rate, is currently at \$30,200 statewide and the Committee's recommendation is to increase this amount to \$30,720. The tier two income limit, for loans with a 3 % interest rate, is currently at \$35,200 and the Committee's recommendation is to

increase this amount to \$35,840. Upon motion by Mr. Rainey, seconded by Mr. Perrey, the motion passed.

Next item was an update on the DMRS program. Memphis was chosen as the pilot area for DMRS. Mr. Rainey stated this pilot program involves construction of 12 units in Shelby County, for which THDA has allocated \$3 million for construction financing. Mr. Rainey said an RFP was circulated, and three non-profits expressed interest and were approved to move forward. Information from the non-profits is due by June 1, 2006. Mr. Rainey noted that one of the non-profits is United Housing which Mr. Bolding is affiliated with. Mr. Bolding has not participated in any discussions regarding the DMRS program and has met the requirements under statute and THDA's policy.

Next item was acquisition cost limits for the Great Rate and Great Start Programs. Mr. Rainey reported that in January, 2005, the Board approved maximum sales price limits equivalent to FHA's maximum loan amount. Mr. Rainey said FHA has raised its maximum loan amount for all areas outside of the Nashville MSA from \$172,632 to \$200,160. The Committee's recommendation is to stay consistent with FHA maximum loan amounts and increase THDA acquisition limits for all areas outside of the Nashville MSA to \$200,160. Upon motion by Mr. Rainey, seconded by Mr. Nance, the motion passed.

In other matters, Mr. Fellman briefed the Committee on the Disaster Relief Mortgage Program which was reinstated on May 1, 2006, in response to recent tornadoes. In 2003, THDA refinanced bonds and created a pool of "Pre-Ullman" funds which allowed THDA more flexibility to provide mortgage funds without certain restrictions. \$25 million is available for the program, with interest rates at 0% and 3%, to assist low income families affected by the tornadoes.

Mr. Fellman next discussed the "Agency Report Card". He said that after 6 months of a new administration at THDA, he wanted to do an internal evaluation to see how staff thought things were going. Mr. Fellman said on November 1, 2005, he laid out expectations of himself, the agency, and of staff. The survey mirrored this outline. Mr. Fellman said that 70% of staff completed the survey. He reported that staff rated him 85% positive, THDA 72% positive, and themselves as 88% positive. Mr. Fellman said there is work to do, with improvement needed in communication and implementation of policies.

Mr. Fellman informed Board members of a new logo being prepared for THDA, which will be presented later.

Mr. Fellman reported on Legislative Issues. He said the HOUSE bill has passed several committees and sub-committees and is now behind Budget. Mr. Fellman said individual conversations were held with leadership in House and Senate and that there is a surplus of funds this year. Mr. Fellman said THDA has established good relationships with the legislature which has made this issue a much higher profile issue than before. He discussed other legislation, including a property tax bill, which failed; an eminent domain bill that passed in the Senate, but was deferred in the House with significant amendments; and a predatory lending bill that passed and was signed by the Governor on May 10, 2006. Mr. Bolding commented that there have been efforts in the past 6 years to pass this bill and it passed practically unanimously this year. He said it was supported by the Memphis Association of Realtors, Mortgage Bankers Association, and the Bankers Association. This bill places restrictions on high cost loans in terms of fees, practice of flipping, practice of pre-payment penalty, and several other items.

Ms. Miller reminded members of the June 15, 2006 Policy & Programs Committee meeting. This is the special meeting to hear tax review items. Ms. Miller said May 17, 2006 was the deadline for

responses to Cure notices that were sent out. Mr. Yandell stated the mailout would be sent the first week in June to provide members with more information.

There was no further business to come before the Board and the meeting adjourned.

Respectfully submitted,

Ted R. Fellman  
Executive Director

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